

Message Text

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ACTION ST-01

INFO OCT-01 ARA-10 ISO-00 A-01 OPR-02 /015 W

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R 142145Z MAY 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 9097

UNCLAS SANTIAGO 4582

EO 11652: N/A

TAGS: ASUP, AFIN, AFSP, AGAO, CI

SUBJECT: SALES OF OFFICIAL VEHICLES

1. AS THE DEPARTMENT IS AWARE, SECTION 12 OF PUBLIC LAW 93-475 (STATE DEPARTMENT AUTHORIZATION ACT OF OCTOBER 26, 1974) AMENDED "AN ACT TO PROVIDE CERTAIN BASIC AUTHORITY FOR THE DEPARTMENT OF STATE" OF AUGUST 1956 BY ADDING A NEW SECTION 16. THE NEW SECTION 16 GIVES TO THE US AMBASSADOR TO A FOREIGN COUNTRY "FULL RESPONSIBILITY FOR THE DIRECTION, COORDINATION AND SUPERVISION OF ALL UNITED STATES GOVERNMENT OFFICERS AND EMPLOYEES IN THAT COUNTRY, EXCEPT FOR PERSONNEL UNDER THE COMMAND OF A US AREA MILITARY COMMANDER." SECTION 16 CONTINUES IN THIS VEIN AND IT IS VERY CLEARLY THE LETTER AND THE SPIRIT OF THIS LAW THAT THE AMBASSADOR IS RESPONSIBLE FOR ALL OF THE BUSINESS OF THE USG IN HIS COUNTRY.

2. A PROBLEM HAS DEVELOPED HERE INVOLVING THE FISCAL PRACTICES OF OTHER AGENCY ELEMENTS OF THE MISSION GENERATING A CONFLICT BETWEEN MY RESPONSIBILITIES FOR THE BEST INTERESTS OF THE USG AND OTHER AGENCIES' CONCERNS. THE PROBLEM IS THAT OVER THE YEARS VARIOUS AGENCIES -- PRIMARILY MILITARY ELEMENTS -- HAVE BEEN TRADING THEIR OFFICIAL CARS FOR NEW CARS AT NO COST WITH LOCAL DEALERS. THIS IS A GOOD DEAL FOR THE DAO, MILGRP, INTER-AMERICAN GEODETIC SURVEY, ETC BECAUSE IT IS NOT NECESSARY FOR THEM TO UTILIZE THEIR BUDGET MONIES TO BUY CARS, BECAUSE THEY GET AUTOMOBILES MORE FULLY EQUIPPED THAN THEY WOULD NORMALLY RECEIVE AND BECAUSE IN SOME CASES THEY RECEIVE MORE VEHICLES THAN THEY WOULD UNDER NORMAL PROCEDURES. THE AUTOMOBILE DEALERS MAKE MONEY WHEN THEY SELL THE CARS,

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BECAUSE THEY DON'T HAVE TO PAY CERTAIN TAXES AND CAN POCKET

THE DIFFERENCE BETWEEN THE MARKET PRICE OF THE OLD CAR (HYPPED BY TAXES OTHERS HAVE TO PAY) AND THE COST OF THE NEW CAR. THE WHOLE THING COSTS THE USG NOTHING, AT LEAST NOT DIRECTLY. THE KICKER IS THAT WITH THE RECENT PUBLICATION OF THE DECREE LAW WAIVING ALL IMPORT DUTIES AND TAXES FOR OFFICIAL CARS THE USG IS NOW IN THE POSITION OF REAPING A FINANCIAL BENEFIT OF SEVERAL THOUSAND DOLLARS ON EACH CAR SOLD. THE REASON IS THAT THE CAR CAN BE SOLD AT A MARKET PRICE WHICH IS SET BY THE COST OF THE CAR PLUS ALL OF THE DUTIES AND TAXES LEVIED ON SUCH CARS NORMALLY: FOR EXAMPLE, A RECENT AD OFFERED A 1973 CHEVROLET FOR \$15,000.

3. AS CAN BE SEEN, BY ORDERING CARS FROM GSA AT A DELIVERED COST HERE OF AROUND \$5,000 AND SELLING THEM TWO TO THREE YEARS LATER FOR \$10,000 TO \$15,000, UNCLE SAM WOULD BENEFIT. DAO, MILGRP, IAGS AND OTHER ELEMENTS WHO ARE TRADING FOR CARS WOULD NOT BENEFIT. THEIR BUDGETS WOULD BE REDUCED BY THE AMOUNTS SPEND FOR CARS, THEY MIGHT NOT BE ABLE TO HAVE AS MANY CARS AS THEY HAVE, AND THE CARS THEY DO USE WOULD NOT BE AS ELEGANTLY EQUIPPED.

4. I AM UNEASY WITH THE SITUATION. IN RESPONSE TO QUERIES I HAVE BEEN INFORMED THAT THE CURRENT PRACTICES ARE CONSISTENT WITH DEFENSE DEPARTMENT REGULATIONS. I HAVE NO DOUBT ABOUT THIS BUT I HAVE SERIOUS RESERVATIONS ABOUT WHETHER OR NOT CURRENT PRACTICES ARE CONSISTENT WITH THE BEST INTERESTS OF THE USG, AS THESE MIGHT BE INTERPRETED BY AN OUTSIDE OBSERVER.

5. ACTION REQUESTED: I REQUEST THAT THE DEPARTMENT REQUEST AN ADVISORY OPINION ON THIS MATTER FROM THE GAO. IT WOULD ALSO BE HELPFUL TO HAVE THE DEPARTMENT'S VIEWS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANTIA04582
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760188-0912
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760553/aaaabtby.tel
Line Count: 94
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ST
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CollinP0
Review Comment: n/a
Review Content Flags:
Review Date: 25 JAN 2005
Review Event:
Review Exemptions: n/a
Review History: WITHDRAWN <15 JUN 2004 by wolfsd, PRIVACY>; RELEASED <25 JAN 2005 by CollinP0>; APPROVED <25 JAN 2005 by CollinP0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SALES OF OFFICIAL VEHICLES
TAGS: ASUP, AFIN, AFSP, AGAO, CI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006